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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 43057

**FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/02 AND ENDING 12/31/02
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Managers Distributors, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

40 Richards Avenue

(No. and Street)

Norwalk,

CT

06854

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Donald S. Rumery

203-831-4122

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Schwartz & Hofflich, LLP

(Name - if individual, state last, first, middle name)

37 North Avenue

Norwalk

CT

06851-3832

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 13 2003

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FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, Donald S. Rumery, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Managers Distributors, Inc., as of December 31, 2002, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A


NICOLE G. ESCHELBACHER
NOTARY PUBLIC
My Commission Expires June 30, 2003

Notary Public

Donald S. Rumery
Signature

Treasurer
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

- ☒ (o) Auditor's report on the study and evaluation of internal controls
- ☒ (p) Exemption provision under Rule 15c3-3

MANAGERS DISTRIBUTORS, INC.

Financial Statements

December 31, 2002 and 2001

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CERTIFIED PUBLIC ACCOUNTANTS
FINANCIAL ADVISORS

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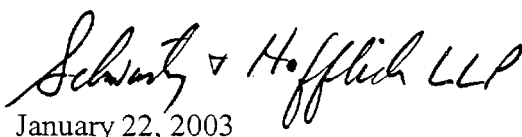
Report of Independent Certified Public Accountant

To the Board of Directors:
Managers Distributors, Inc.
Norwalk, CT

We have audited the accompanying balance sheets of Managers Distributors, Inc. as of December 31, 2002 and 2001, and the related statements of operations, changes in shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Managers Distributors, Inc. as of December 31, 2002 and 2001, and the results of its operations, changes in shareholder's equity and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.


January 22, 2003

37 NORTH AVENUE, NORWALK, CONNECTICUT 06851-3832

MEMBER OF  DFK INTERNATIONAL WITH AFFILIATED OFFICES WORLDWIDE

MANAGERS DISTRIBUTORS, INC.

BALANCE SHEETS

As of December 31,

	<u>2002</u>	<u>2001</u>
Assets		
Cash and cash equivalents	\$ 208,592	\$ 234,379
Accounts receivable	86,356	69,825
Prepaid expenses	<u>12,990</u>	<u>9,000</u>
Total assets	\$ <u>307,938</u>	\$ <u>313,204</u>
Liabilities and shareholder's equity		
Current liabilities		
Accrued income taxes payable	\$ 8,276	\$ 16,047
Accounts payable	15,040	4,486
Accrued expenses	<u>68,742</u>	<u>131,127</u>
Total liabilities	<u>92,058</u>	<u>151,660</u>
Shareholder's equity		
Common stock (50,000 shares authorized, 1,000 shares issued and outstanding; par value \$.01 share in 2002 and 2001)	10	10
Paid-in capital	129,990	129,990
Retained earnings	<u>85,880</u>	<u>31,544</u>
Total shareholder's equity	<u>215,880</u>	<u>161,544</u>
Total liabilities and shareholder's equity	\$ <u>307,938</u>	\$ <u>313,204</u>

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

STATEMENTS OF OPERATIONS

For the years ended December 31,

	<u>2002</u>	<u>2001</u>
Revenue	\$ <u>1,097,241</u>	\$ <u>1,034,612</u>
Expenses:		
Salaries	643,684	664,893
Employee benefits	63,357	71,792
Payroll taxes	36,320	44,536
Professional fees	112	4,538
Travel	181,063	121,378
Conferences	3,527	5,978
Printing	3,150	2,913
Trade shows	8,317	18,748
Office expenses	24,405	21,174
NASD fees	24,692	4,216
Miscellaneous	<u>431</u>	<u>26,031</u>
Total expenses	<u>989,058</u>	<u>986,197</u>
Income before other income and provision for income taxes	108,183	48,415
Other income	<u>2,086</u>	<u>7,625</u>
Income before provision for income taxes	110,269	56,040
Provision for income taxes	<u>55,933</u>	<u>24,246</u>
Net income	\$ <u><u>54,336</u></u>	\$ <u><u>31,794</u></u>

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

For the years ended December 31, 2002 and 2001

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
Balance, December 31, 2000	\$ 10	\$ 19,990	\$ (250)	\$ 19,750
Additional capital contribution	0	110,000	0	110,000
Net income	<u>0</u>	<u>0</u>	<u>31,794</u>	<u>31,794</u>
Balance, December 31, 2001	10	129,990	31,544	161,544
Net income	<u>0</u>	<u>0</u>	<u>54,336</u>	<u>54,336</u>
Balance, December 31, 2002	<u>\$ 10</u>	<u>\$ 129,990</u>	<u>\$ 85,880</u>	<u>\$ 215,880</u>

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

STATEMENTS OF CASH FLOWS

For the years ended December 31,

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Net income	\$ 54,336	\$ 31,793
Adjustments to reconcile net loss to net cash used by operating activities:		
(Increase) in accounts receivables	(16,531)	(69,825)
(Increase) in prepaid expenses	(3,990)	(9,000)
Decrease (increase) in accrued expenses	(62,385)	131,127
Increase in accounts payable	10,554	4,487
Decrease (increase) in accrued income tax payable	(7,771)	15,797
Net cash used in operating activities	<u>(25,787)</u>	<u>104,379</u>
Cash flows from financing activities:		
Cash contributions to capital	<u>0</u>	<u>110,000</u>
Net cash provided by financing activities	<u>0</u>	<u>110,000</u>
Cash flows from investing activities	<u>0</u>	<u>0</u>
Changes in cash flows	(25,787)	214,379
Cash and cash equivalents, as of January 1,	<u>234,379</u>	<u>20,000</u>
Cash and cash equivalents, as of December 31,	<u><u>\$ 208,592</u></u>	<u><u>\$ 234,379</u></u>
Supplemental disclosure of cash flow information		
Income taxes paid	\$ 63,703	\$ 8,198
Interest paid	\$ 0	\$ 0

See accompanying notes.

MANAGERS DISTRIBUTORS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE 1- PRINCIPAL BUSINESS ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Incorporation and principal business activity

Managers Distributors, Inc. ("the Company"), a wholly-owned subsidiary of The Managers Funds, LLC ("LLC"), is incorporated under the laws of Delaware. The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") pursuant to Section 15 under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. ("NASD"). The Company's principal business is to act as a distributor of mutual fund shares for a family of funds known as Managers.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all short-term investments with a maturity at the date of purchase of three months or less to be cash equivalents.

Concentration of credit risk

The Company maintains a bank account at a commercial bank. At times during the year, the balance maintained in the bank may exceed the FDIC insurance limits.

NOTE 2- RELATED PARTY TRANSACTIONS

In January 2001, the Company entered into an agreement with the LLC to provide distribution services for mutual fund shares in The Managers Funds, Managers AMG Funds, Managers Trust I and Managers Trust. The fee is based on a percentage of certain Company overhead expenses. The LLC provides all the revenue to the Company. The LLC assumes certain of the Company's expenses such as occupancy, telephone and utilities, bookkeeping and certain personnel costs. The officers of the Company serve as officers to related companies, including the LLC.

The accounts receivable of \$86,356 and \$69,825 as of December 31, 2002 and 2001, respectively, are from the LLC for services rendered.

The Company maintains cash in the Managers Money Market Fund, to which the LLC provides administrative and shareholders services.

MANAGERS DISTRIBUTORS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2002 and 2001

NOTE 3 - INCOME TAXES

The income tax provision consists of the following:

	<u>2002</u>	<u>2001</u>
Federal	\$ 27,018	\$ 16,984
States	<u>28,915</u>	<u>7,262</u>
	\$ <u>55,933</u>	\$ <u>24,246</u>

NOTE 4- EMPLOYEE BENEFIT PLAN

The LLC maintains a 401(k) profit sharing plan ("the Plan") covering the employees of the Company. The Company's contributions to the Plan are based upon a percentage of the employee's eligible annual compensation. Contributions to the plan for the years ended December 31, 2002 and 2001 were \$31,950 and \$36,500, respectively.

NOTE 5- NET CAPITAL REQUIREMENTS

As a registered broker-dealer, the Company is subject to Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. This rule requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. As of December 31, 2002, the Company had net capital of \$115,160 of which \$109,023 was in excess of the minimum required net capital of \$6,137. The Company's ratio of aggregate indebtedness to net capital was 0.80 to 1 as of December 31, 2002.



CERTIFIED PUBLIC ACCOUNTANTS
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SUPPLEMENTARY REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

To the Board of Directors of
Managers Distributors, Inc.

In planning and performing our audit for the financial statements of Managers Distributors, Inc. for the year ended December 31, 2002, we considered its internal control, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practice and procedures) followed by Managers Distributors, Inc. that we considered relevant to the objectives stated in rule 17a-5(g), to make the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and reserve required by rule 15c3-3. We did not review the practices and procedures followed by the Company (i) in making the quarterly securities examinations, counts, verification and comparisons and the recordation of differences required by rule 17a-13; (ii) in obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3 and (iii) in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company's transactions are limited to the purchase, sale and redemption of redeemable securities of registered investment companies. The Company also promptly transmits all customer funds and delivers all securities received in connection with activities as broker-dealer, and does not otherwise hold funds or securities for, or owe money or securities to customers.



Managers Distributors, Inc.
Page 2 of 3

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, management is required to make estimates and judgments to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above-mentioned objectives.

The objective of an internal control structure and of the practices and procedures is to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under the standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2002 to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the National Association of Securities Dealers and other regulatory agencies which rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purpose.

Schwartz & Hofflich LLP
January 22, 2003

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

Managers Distributors, Inc.

N2

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STATEMENT OF FINANCIAL CONDITION

as of (MM/DD/YY) 12/31/02

SEC FILE NO. 8-43057

Consolidated		99
Unconsolidated	X	98
		198
		199

ASSETS

Allowable

Non-Allowable

Total

1. Cash	\$ 139,884	200	\$ 139,884	750
2. Cash segregated in compliance with federal and other regulations		210		760
3. Receivable from brokers or dealers and clearing organizations:				
A. Failed to deliver:				
1. Includable in "Formula for Reserve Requirements"		220		
2. Other		230		770
B. Securities borrowed:				
1. Includable in "Formula for Reserve Requirements"		240		
2. Other		250		780
C. Omnibus accounts:				
1. Includable in "Formula for Reserve Requirements"		260		
2. Other		270		790
D. Clearing organizations:				
1. Includable in "Formula for Reserve Requirements"		280		
2. Other		290		800
E. Other		300	\$ 550	810
4. Receivables from customers:				
A. Securities accounts:				
1. Cash and fully secured accounts		310		
2. Partly secured accounts		320	560	
3. Unsecured accounts			570	
B. Commodity accounts		330	580	
C. Allowance for doubtful accounts	4	() 335	() 590	820
5. Receivables from non-customers:				
A. Cash and fully secured accounts		340		
B. Partly secured and unsecured accounts		350	600	830
6. Securities purchased under agreements to resell		360	605	840
7. Securities and spot commodities owned, at market value:				
A. Bankers acceptances, certificates of deposit and commercial paper		370		
B. U.S. and Canadian government obligations		380		
C. State and municipal government obligations		390		
D. Corporate obligations	5	400		

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

Managers Distributors, Inc.

as of 12/31/02

STATEMENT OF FINANCIAL CONDITION

		<u>ASSETS</u>			
		<u>Allowable</u>	<u>Non-Allowable</u>	<u>Total</u>	
E. Stocks and warrants	9 \$	410			
F. Options		420			
G. Arbitrage		422			
H. Other securities		68,708			
I. Sport commodities		430			
				\$ 68,708	850
8. Securities owned not readily marketable:					
A. At Cost 9 \$	130	440	\$ 610		860
9. Other investments not readily marketable:					
A. At Cost \$	140				
B. At estimated fair value		450	620		870
10. Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:					
A. Exempted securities .. \$	150				
B. Other \$	160 10	460	630		880
11. Secured demand notes- market value of collateral:					
A. Exempted securities .. \$	170				
B. Other \$	180	470	640		890
12. Memberships in exchanges:					
A. Owned, at market value \$	190				
B. Owned at cost			650		
C. Contributed for use of company, at market value			660 12		900
13. Investment in and receivables from affiliates, subsidiaries and associated partnerships		480	86,356 670 14	86,356	910
14. Property, furniture, equipment, leasehold improvements and rights under lease agreements:					
At cost (net of accumulated depreciation and amortization).....		490	680		920
15. Other Assets:					
A. Dividends and interest receivable		500	690		
B. Free shipments		510	700		
C. Loans and advances		520	710		
D. Miscellaneous 11		530	12,990 720	12,990	930
16. TOTAL ASSETS	\$	208,592 540 13	\$ 99,346 740	\$ 307,938	940

OMIT PENNIES

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

Managers Distributors, Inc.

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

	A.I. Liabilities*	Non-A.I. Liabilities*	Total
Liabilities			
17. Bank loans payable:			
A. Includable in "Formula for Reserve Requirements"	\$ 1030	\$ 1240	\$ 1460
B. Other	1040	1250	1470
18. Securities sold under repurchase agreement...		1260	1480
19. Payable to brokers or dealers and clearing organizations:			
A. Failed to receive:			
1. Includable in "Formula for Reserve Requirements"	1050	1270	1490
2. Other	1060	1280	1500
B. Securities loaned:			
1. Includable in "Formula for Reserve Requirements"	1070		1510
2. Other	1080	1290	1520
C. Omnibus accounts:			
1. Includable in "Formula for Reserve Requirements"	1090		1530
2. Other	1095	1300	1540
D. Clearing organizations:			
1. Includable in "Formula for Reserve Requirements"	1100		1550
2. Other	1105	1310	1560
E. Other:	1110	1320	1570
20. Payable to customers:			
A. Securities accounts-including free credits of\$ 950	1120		1580
B. Commodities accounts	1130	1330	1590
21. Payable to non customers:			
A. Securities accounts	1140	1340	1600
B. Commodities accounts	1150	1350	1610
22. Securities sold not yet purchased at market value-including arbitrage of\$ 960		1360	1620
23. Accounts payable and accrued liabilities and expenses:			
A. Drafts payable	1160		1630
B. Accounts payable	1170		1640
C. Income taxes payable	8,276 1180		8,276 1650
D. Deferred income taxes		1370	1660
E. Accrued expenses and other liabilities	83,782 1190		83,782 1670
F. Other	1200	1380	1680

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*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER
Managers Distributors, Inc.

as of 12/31/02

STATEMENT OF FINANCIAL CONDITION

LIABILITIES AND OWNERSHIP EQUITY (continued)

<u>Liabilities</u>	A.I. <u>Liabilities*</u>	Non-A.I. <u>Liabilities*</u>	<u>Total</u>
24. Notes and mortgages payable:			
A. Unsecured	\$ 1210		\$ 1690
B. Secured	25 1211	1390	1700
25. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders 24 \$ 970			
2. Includes equity subordination (15c3-1(d)) of \$ 980			
B. Securities borrowings, at market value from outsiders \$ 990		1410	1720
C. Pursuant to secured demand note collateral agreements		1420	27 1730
1. from outsiders \$ 1000			
2. Includes equity subordination (15c3-1(d)) of \$ 1010			
D. Exchange memberships contributed for use of company, at market value		26 1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	1220	1440	1750
26. TOTAL LIABILITIES	\$ 92,058 1230	\$ 1450	\$ 92,058 1760
<u>Ownership Equity</u>			
27. Sole Proprietorship			\$ 1770
28. Partnership-limited partners	\$ 1020		\$ 1780
29. Corporation:			
A. Preferred stock			1791
B. Common stock		28 10	1792
C. Additional paid-in capital		129,990	1793
D. Retained earnings		85,880	1794
E. Total		215,880	1795
F. Less capital stock in treasury		()	1796
30. TOTAL OWNERSHIP EQUITY		\$ 215,880	1800
31. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 307,938 1810

OMIT PENNIES

*Brokers or Dealers electing the alternative net capital requirement method need not complete these columns.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

Managers Distributors, Inc.

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition - Item 1800	\$	215,880	3480
2. Deduct Ownership equity not allowable for Net Capital	(3490
3. Total ownership equity qualified for Net Capital		215,880	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)	33		3525
5. Total capital and allowable subordinated liabilities	\$	215,880	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from			
Statement of Financial Condition (Notes B and C)	\$	99,346	3540
1. Additional charges for customers' and non-customers' security accounts	\$		3550
2. Additional charges for customers' and non-customers' commodity accounts			3560
B. Aged fail-to-deliver			3570
1. Number of items	29	3450	
C. Aged short security differences-less reserve of	\$	3460	3580
number of items		3470	
D. Secured demand note deficiency			3590
E. Commodity futures contracts and spot commodities - proprietary capital charges			3600
F. Other deductions and/or charges			3610
G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x)			3615
H. Total deductions and/or charges		99,346	3620
7. Other additions and/or allowable credits (List)			3630
8. Net capital before haircuts on securities positions	\$	116,534	3640
9. Haircuts on securities: (computed, where applicable, pursuant to 15c3-1(f)):			
A. Contractual securities commitments	\$		3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Bankers' acceptances, certificates of deposit and commercial paper	31		3680
2. U.S. and Canadian government obligations			3690
3. State and municipal government obligations			3700
4. Corporate obligations			3710
5. Stocks and warrants			3720
6. Options			3730
7. Arbitrage			3732
8. Other securities	32	1,374	3734
D. Undue Concentration			3650
E. Other (List)			3736
		1,374	3740
10. Net Capital	\$	115,160	3750

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Reconciliation of net capital differences between Focus Report and Annual Audited Report

Net capital, as reported in Focus Report	\$115,157
rounding	3
Net capital	<u>\$115,156</u>

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT

PART II

BROKER OR DEALER

as of 12/31/02

Managers Distributors, Inc.

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

Part A

11. Minimum net capital required (6 $\frac{2}{3}$ % of line 19)	\$	6,137	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	5,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	6,137	3760
14. Excess net capital (line 10 less 13)	\$	109,023	3770
15. Excess net capital at 1000% (line 10 less 10% of line 19)	\$	105,954	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.L. liabilities from Statement of Financial Condition	\$	92,058	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. Market value of securities borrowed for which no equivalent value is paid or credited	\$	3810	
C. Other unrecorded amounts (List)	\$	3820	3830
18. Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	\$		3838
19. Total aggregate indebtedness	\$	92,058	3840
20. Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	%	80	3850
21. Percentage of aggregate indebtedness to net capital <u>after</u> anticipated capital withdrawals (line 19 ÷ by line 10 less Item 4880 page 25)	%		3853

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT

Part B

22. 2% of combined aggregate debt items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$		3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$		3880
24. Net capital requirement (greater of line 22 or 23)	\$		3760
25. Excess net capital (line 10 less 24)	\$		3910
26. Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	%		3851
27. Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880 page 11 ÷ by line 17 page 8)	%		3854
28. Net capital in excess of the greater of:			
A. 5% of combines aggregate debit items or \$120,000	\$		3920

OTHER RATIOS

Part C

29. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	%		3860
30. Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	%		3852

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6 $\frac{2}{3}$ % of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 1740) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT PART II

as of 12/31/02

Managers Distributors, Inc

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
FOR BROKER-DEALERS UNDER RULE 15c3-3 (continued)**

EXEMPTIVE PROVISIONS

28. If an exemption from Rule 15c3-3 is claimed, identify below the section upon which such exemption is based (check only one)

- | | | | | |
|----|---|-------|---|------|
| A. | (k)(1) — \$2,500 capital category as per Rule 15c3-1 | 52 \$ | X | 4550 |
| B. | (k)(2)(A) — "Special Account for the Exclusive Benefit of customers" maintained | | | 4560 |
| C. | (k)(2)(B) — All customer transactions cleared through another broker-dealer on a fully disclosed basis.
Name of clearing firm 51 | 4335 | | 4570 |
| D. | (k)(3) — Exempted by order of the Commission | | | 4580 |

Information for Possession or Control Requirements Under Rule 15c3-3

State the market valuation and number of items of:

- | | | |
|---|-----|-------------|
| 1. Customers' fully paid securities and excess margin securities not in the respondent's possession or control as of the report date (for which instructions to reduce to possession or control had been issued as of the report date) but for which the required action was not taken by respondent within the time frame specified under Rule 15c3-3, Notes A and B | \$ | <u>4586</u> |
| A. Number of items | | <u>4587</u> |
| 2. Customers' fully paid securities and excess margin securities for which instructions to reduce possession or control had not been issued as of the report date, excluding items arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3, Notes B, C and D | \$ | <u>4588</u> |
| A. Number of items | \$3 | <u>4589</u> |
| OMIT PENNIES | | |
| 3. The system and procedures utilized in complying with the requirement to maintain physical possession or control of customers' fully paid and excess margin securities have been tested and are functioning in a manner adequate to fulfill the requirements of Rule 15c3-3 | Yes | <u>4584</u> |
| | No | <u>4585</u> |

NOTES

- A—Do not include in item one customers' fully paid and excess margin securities required by Rule 15c3-3 to be in possession or control but for which no action was required by the respondent as of the report date or required action was taken by respondent with the time frames specified under Rule 15c3-3.
- B—State separately in response to items one and two whether the securities reported in response thereto were subsequently reduced to possession or control by the respondent.
- C—Be sure to include in item two only items not arising from "temporary lags which result from normal business operations" as permitted under Rule 15c3-3.
- D—Item two must be responded to only with report which is filed as of the date selected for the broker's or dealer's annual audit of financial statements, whether or not such date is the end of a calendar quarter. The response to item two should be filed within 60 calendar days after such date, rather than with the remainder of this report. This information may be required on a more frequent basis by the Commission or the designated examining authority in accordance with Rule 17a-5(a)(2)(iv).



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January 22, 2003

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CHERYL A. NUZZOLO, CPA

NASD
9513 Key West Avenue
Rockville, MD 20850-3389

Re: The Managers Distributors, Inc.
CRD#27314

Pursuant to Rule 17a-5(e)(4), for the year ending December 31, 2002, The Managers Distributors, Inc. exclusively distributes registered open-end investment company shares.

Schwartz & Hofflich LLP